

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF ADMINISTRATION

INVESTMENT COMMITTEE

February 19, 2008

Chief Investment Officer's

Consolidated Investment Activity Report

(December 2007 Reporting Period)

Market Environment – December 31, 2007

General Market Commentary

With few exceptions, global markets posted slight declines during the month of December, ending a turbulent and volatile quarter and year. Economic uncertainty over the effects of the subprime and credit problems continued as they seep into the broader economy. The US Federal Reserve and the Bank of England both lowered key interest rates by 0.25% to 4.25% and 5.50%, respectively. Oil prices spiked for the month, closing just under \$96.00 to end the year.

Domestic and International Equities

The U.S. equity market posted a decline of -0.69% in December, gaining 5.50% for the year (as measured by the S&P 500). Growth stocks again outperformed value stocks for the month, returning -0.36% versus value's return of -0.97% (as measured by Russell 1000 Growth and Value), while ending the year up 11.81% versus value stocks' decline of -0.17%. International equities also were down for December, with the MSCI EAFE declining -2.25%, ending the year up 11.63%. The emerging markets were back in positive territory for the month with a 0.36% return (as measured by the MCSI EM Index) and returned 39.78% for the year.

Domestic and International Fixed Income

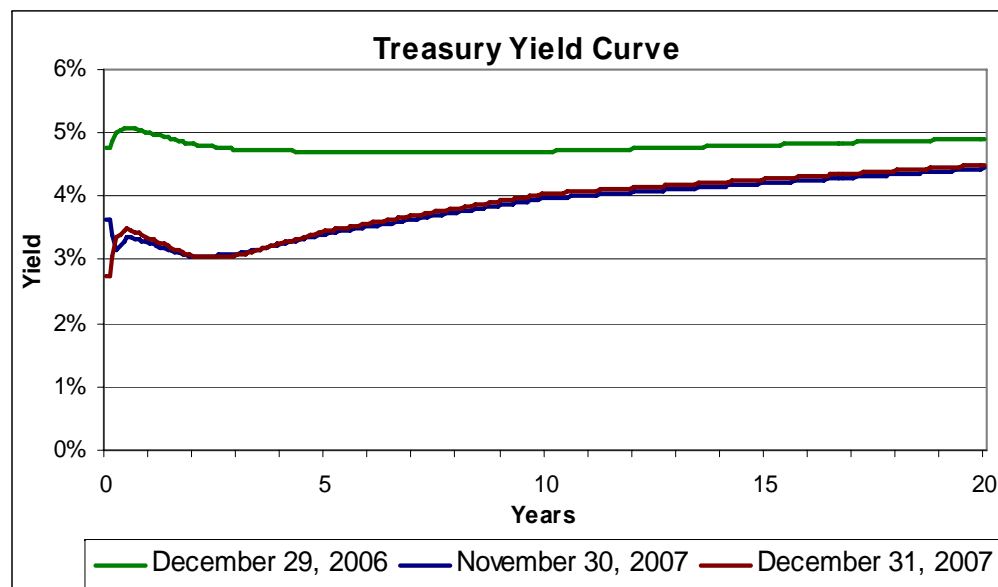
The Lehman Brothers Aggregate Bond Index returned 0.28% for December and ended the year up 6.97%. US TIPS returned -0.16% (LB US TIPS) for the month. The high yield market gained 0.29% during the month, as measured by the Merrill Lynch High Yield Master II Index. International fixed income markets returned -0.65%, as measured by the Citigroup World Government Bond Index ex US (unhedged).

Real Estate

Real estate (as measured by the MSCI US REIT Index) was down for the month, declining -5.23% in December and -16.81% for 2007. The NCREIF Index of Real Estate Properties returned a positive 3.56% for the quarter ended September 2007.

Private Equity and Absolute Return Strategies

The Venture Economics All Private Equity Index returned 24.53% for the 12 months ended June 2007 and 14.83% for the 10 years ended June 2007. Absolute Return Strategies (CSFB/Tremont Hedge Fund Index) returned 0.47% in December and 12.58% for the 12 months ended December 2007.



MARKET INDICATORS	12/29/2006	Direction	11/30/2007	Direction	12/31/2007
1m LIBOR (fixed in \$)	5.32%	▼	5.24%	▼	4.60%
Federal Funds	5.25%	▼	4.50%	▼	4.25%
10Y Treasury Note Yield	4.71%	▼	3.97%	▲	4.03%
30Y Treasury Bond Yield	4.82%	▼	4.40%	▲	4.46%
DJ-Wilshire 5000 Comp	14,215.82	▲	14,869.56	▼	14,753.62
S&P 500	1,418.30	▲	1,481.14	▼	1,468.36
NASDAQ Composite	2,415.29	▲	2,660.96	▼	2,652.28
FTSE 100 Index	6,220.80	▲	6,432.50	▲	6,456.90
Nikkei 225 Index	17,225.83	▼	15,680.67	▼	15,307.78
Yen/\$ (Dollar Strength)	119.020	▼	111.020	▲	111.710
Euro/\$ (Dollar Strength)	0.758	▼	0.681	▲	0.685
GBP/\$ (Dollar Strength)	0.511	▼	0.486	▲	0.504
Crude Oil per Barrel	\$ 61.05	▲	\$ 88.71	▲	\$ 95.98
Gold (\$/oz Daily Spot)	\$ 632.00	▲	\$ 783.50	▲	\$ 833.75
GS Commodities Index	\$ 433.94	▲	\$ 577.99	▲	\$ 610.17

CalPERS Asset Allocation – December 31, 2007

Summary

- Total Fund Market Value was \$253.0 Billion
- Total Fund Book Value was \$203.8 Billion
- All Asset Classes are within their permissible ranges relative to target ranges and strategic target levels.

Book to Market Value Comparison

	Book Value (\$ Billion)	Market Value (\$ Billion)	Effective Market Value (\$ Billion)	Difference (Market – Book) (\$ Billion)
Cash Equivalents	\$1.9	\$1.9	\$1.1	\$0.0
Domestic Fixed Income	\$57.1	\$60.8	\$60.8	\$3.8
International Fixed Income	\$7.0	\$7.5	\$7.5	\$0.4
Global Fixed Income	\$64.1	\$68.3	\$68.3	\$4.2
AIM	\$21.7	\$20.4	\$20.4	-\$1.3
Domestic Equity ¹	\$54.3	\$87.4	\$87.9	\$33.1
International Equity	\$42.3	\$52.8	\$53.1	\$10.6
Global Equity	\$118.2	\$160.6	\$161.5	\$42.4
Real Estate	\$19.5	\$22.2	\$22.2	\$2.7
Total Fund	\$203.8	\$253.0	\$253.0	\$49.3

¹ Included is MDP Investment - LM Capital Investment: Total Book Value=\$199.9 million, Total Market Value=\$202.6 million.

* Figures for this report are rounded for viewing purposes. Calculations are based on actual values. When summing net amounts on this report, there may be breakage.

Top Company Exposures

- As a very significant institutional investor, CalPERS has large exposures to the securities of many corporations either through internal or externally managed portfolios. Consistent with board requested information and in support of the Board of Administration's oversight role, a schedule of the top 20 company exposures is prepared for informational purposes and can be found on Page 4.

CalPERS Total Fund Top 20 Company Exposures

Based on Total Market Values as of 12/31/2007

Company Name	Equity Exposure			Total Equity Market Value	Fixed Income Exposure			Total FI Market Value	Real Estate Exposure ⁽¹⁾	TOTAL Market Value	% of Total Fund ⁽³⁾
	Internally Managed Active	Externally Managed Passive	Externally Managed Active		Internal	External	Sec. Lending ⁽²⁾				
GENERAL ELECTRIC	199,163,431	1,159,879,523	200,651,421	1,559,694,375	564,191,743	35,501,327	975,321,755	1,575,014,825		3,134,709,200	0.85%
EXXON MOBIL CORP	279,401,194	1,593,282,771	353,018,861	2,225,702,826				0		2,225,702,826	0.88%
MICROSOFT CORP	197,001,393	1,029,046,480	244,985,992	1,471,033,865				0		1,471,033,865	0.58%
BERKSHIRE HATHAWAY	279,393,120	672,600,000	2,407,200	954,400,320	381,573,106		50,005,415	431,578,521		1,385,978,841	0.53%
CITIGROUP INC	68,761,124	443,716,736	102,749,663	615,227,523	381,626,165	21,863,676	271,070,250	674,560,091		1,289,787,614	0.40%
AT&T INC	131,799,851	785,085,024	204,203,979	1,121,088,854				0		1,121,088,854	0.44%
AMERICAN INTL GROUP INC	144,665,737	460,196,880	95,040,893	699,903,510	312,623,921	5,754,626	100,066,000	418,444,547		1,118,348,057	0.40%
WAL MART STORES INC	182,984,878	601,439,867	126,327,442	910,752,187	175,422,489	3,131,620		178,554,109		1,089,306,296	0.43%
BANK OF AMERICA CORP	82,302,849	566,631,832	120,250,083	769,184,764	229,849,718	9,073,837		238,923,555		1,008,108,319	0.40%
GOOGLE INC	167,130,716	653,310,304	162,798,594	983,239,614				0		983,239,614	0.39%
PROCTER + GAMBLE CO	89,050,824	703,481,072	149,089,075	941,620,971	14,829,090			14,829,090		956,450,061	0.38%
CONOCOPHILLIPS	133,996,398	448,528,680	114,697,550	697,222,628	238,702,574			238,702,574		935,925,202	0.37%
JPMORGAN CHASE & CO	66,752,592	459,799,190	157,261,085	683,812,867	213,159,656	8,174,769		221,334,425		905,147,292	0.36%
CHEVRONTEXACO CORP	100,478,705	613,234,098	187,207,754	900,920,557				0		900,920,557	0.36%
JOHNSON + JOHNSON	123,165,619	587,166,770	138,168,917	848,501,306	13,665,564			13,665,564		862,166,870	0.34%
ROYAL DUTCH SHELL		398,237,220	394,072,832	792,310,052				0		792,310,052	0.31%
VERIZON COMMUNICATIONS INC.	40,199,431	372,994,637	100,840,889	514,034,957	265,435,097			265,435,097		779,470,054	0.31%
APPLE COMPUTER	101,151,929	519,167,680	134,801,561	755,121,170				0		755,121,170	0.30%
GOLDMAN SACHS GROUP	74,394,397	268,403,905	101,310,055	444,108,357	277,531,852	22,036,768		299,568,620		743,676,977	0.29%
PFIZER INC	82,001,498	482,703,372	142,762,811	707,467,681	16,472,155			16,472,155		723,939,836	0.29%

(1) Real Estate exposure data only includes the 20 companies with the highest annual lease revenues for each core partnership, excludes properties in escrow. The market value exposures are calculated based only on two years of expected lease revenues.

(2) Does not include Repos

(3) Excludes securities lending exposure

CalPERS

Asset Allocation as of December 31, 2007

Total Fund Market Value: **\$253,014,286,289**

	Global Equity ¹	Domestic Equity	International Equity	AIM	Global Fixed	Domestic Fixed	International Fixed	Cash ^{2, 5}	Real Estate	Total Fund
Strategic Target Range %	61-71%			3-9%	21-31%				4-12%	
Strategic Target %	66.0%	40.0%	20.0%	6.0%	26.0%	23.0%	3.0%	0.0%	8.0%	N/A
Cash Market Investment %	63.5%	34.5%	20.9%	8.1%	27.0%	24.0%	3.0%	0.8%	8.8%	N/A
Tactical Overlay %	0.3%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	(0.3%)	0.0%	N/A
Effective Investment %	63.8%	34.8%	21.0%	8.1%	27.0%	24.0%	3.0%	0.4%	8.8%	N/A
Variance % (Strategic vs. Effective)	(2.2%)	(5.2%)	1.0%	2.1%	1.0%	1.0%	(0.0%)	0.4%	0.8%	N/A
Strategic Target \$ ³	\$167.0	\$101.2	\$50.6	\$15.2	\$65.8	\$58.2	\$7.6	\$0	\$20.2	N/A
Cash Market Investment \$ ^{3, 4}	\$160.6	\$87.4	\$52.8	\$20.4	\$68.3	\$60.8	\$7.5	\$1.9	\$22.2	N/A
Tactical Overlay \$ ³	\$0.8	\$0.6	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0	(\$0.8)	\$0.0	N/A
Effective Investment \$ ^{3, 4}	\$161.5	\$87.9	\$53.1	\$20.4	\$68.3	\$60.8	\$7.5	\$1.1	\$22.2	N/A
Variance \$(Strategic vs. Effective) ^{3, 4}	(\$5.5)	(\$13.3)	\$2.5	\$5.2	\$2.5	\$2.6	(\$0.1)	\$1.1	\$2.0	N/A
% Passive	50.3%	65.1%	45.2%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	32.4%
% Active	49.7%	34.9%	54.8%	100.0%	100.0%	100.0%	100.0%	100.0%	95.0%	67.6%
% Internal	55.4%	72.3%	48.9%	0.0%	89.0%	100.0%	0.0%	100.0%	5.0%	60.4%
% External	44.6%	27.7%	51.1%	100.0%	11.0%	0.0%	100.0%	0.0%	95.0%	39.6%

* Figures for this report are rounded for viewing purposes. Calculations are based on actual values.

* When summing amounts on this report, there may be breakage.

* MDP Venture accounts included in MDP's primary asset class. MDP Fixed, CalPERS Hedge Fund, and Enhanced Index Equity roll to External Domestic Equity.

¹ Includes AIM

² Cash includes SMIF at STO.

³ (\$ Billion)

⁴ Based upon Trade Date Accounting as recommended by CFA Institute GIPS Standards.

⁵ Approximately \$0.8 Billion notional in Equity Futures were purchased to equitize cash.

⁶ Real Estate unfunded commitment amount is as of November 30, 2007

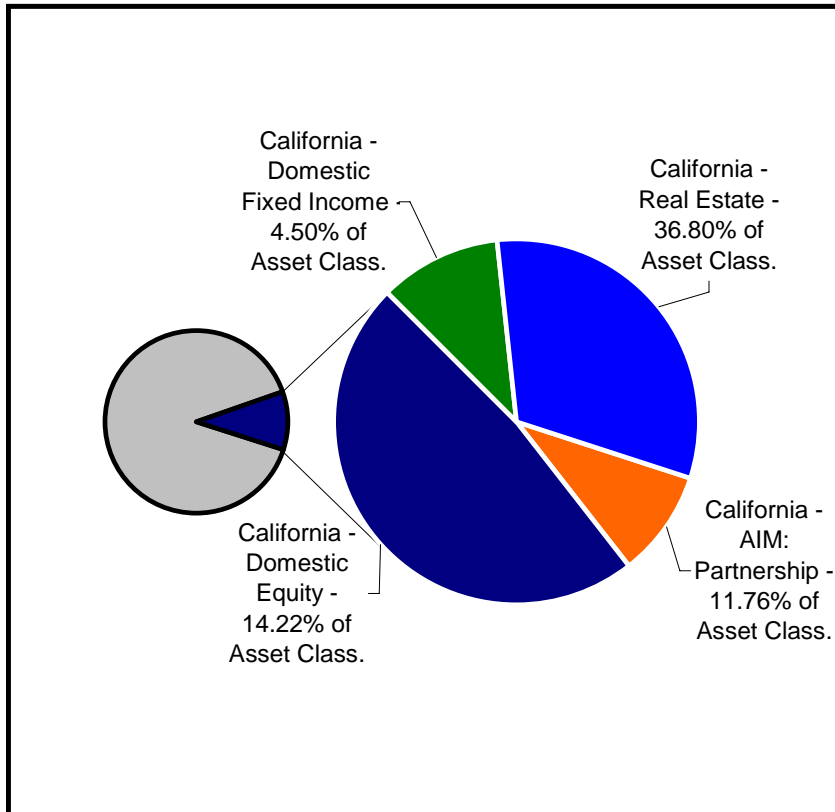
Private Market Commitment as of December 31, 2007							
AIM				Real Estate			
Funded	\$(in Billions)	% Allocation	Target Range	Funded	\$(in Billions)	% Allocation	Target Range
Fair Market Value (FMV)	\$20.41	8.1%	3-9%	Fair Market Value (FMV)	\$22.20	8.8%	4-12%
Unfunded Commitment	<u>\$22.40</u>	<u>8.9%</u>		Unfunded Commitment ⁶	<u>\$17.27</u>	<u>6.8%</u>	
Fair Market Value plus Unfunded Commitment	\$42.81	16.9%		Fair Market Value plus Unfunded Commitment	\$39.47	15.6%	

CalPERS Investments in the State of California – December 31, 2007

The State of California offers CalPERS a number of attractive investment opportunities. The following charts summarize the investments by asset class as of the date of this report. A detailed report on California investments is available in the supplemental reporting document.

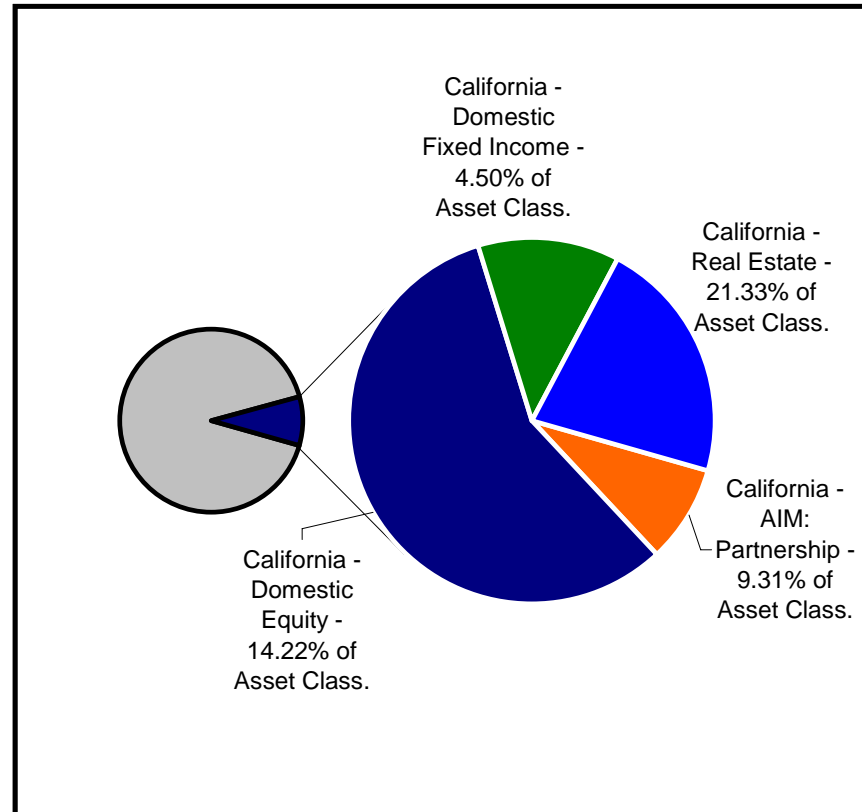
California Commitments (includes unfunded investments)

Current California Commitments at 12/31/2007 Total Fund %: 10.17%



California Investments

Current California Investments at 12/31/2007 Total Fund %: 8.61%

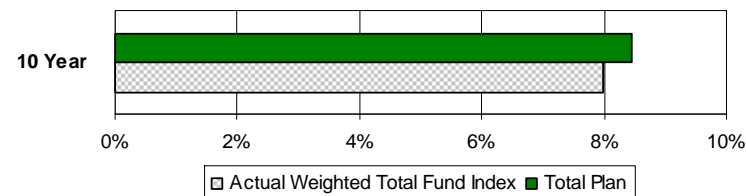


Note: Due to reporting constraints, the California Investments in Real Estate reported (except for Housing and REITs which are as of December 31, 2007) are as of November 30, 2007.

Performance Summary – December 31, 2007

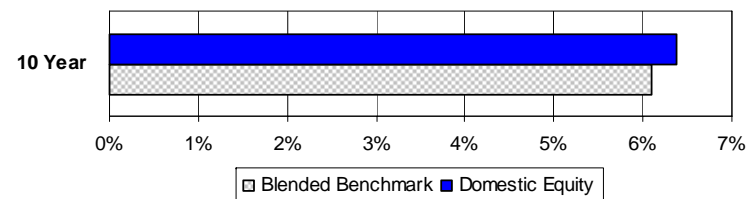
Total Plan:

Net Total Fund returns have underperformed the Actual Weighted Total Fund Index during the short term periods, up to one-year. It has outperformed during the three-, five- and ten-year periods. Ten-year net returns were 8.46% versus 7.98% for the actual weighted index.



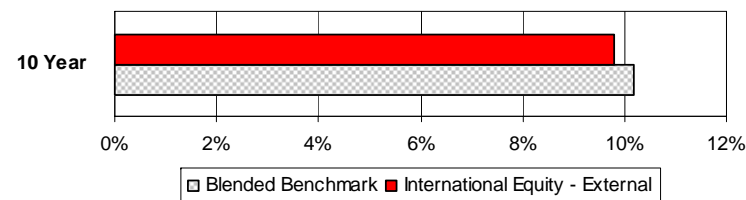
Domestic Equity:

Net Domestic Equity returns have underperformed the Blended Index in all time periods except for the one month and 10-year periods when it outperformed. Ten-year net returns were 6.38% versus 6.09% for the blended benchmark.



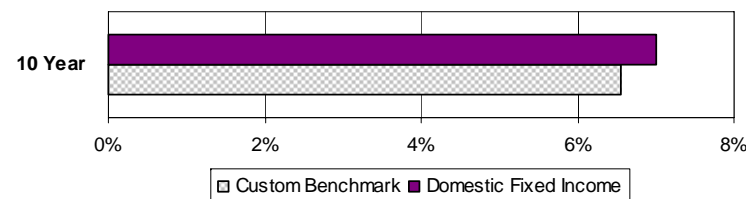
International Equity:

Net International Equity (External) returns including currency overlay underperformed its benchmark in all time periods, except for the one month and three-year periods. Ten-year net returns were 9.78% (10.33% without currency overlay) versus the 10.17% blended benchmark return. The Internal portfolio has returned 21.79% since its 5/1/2005 inception, exceeding its benchmark of 21.48%.



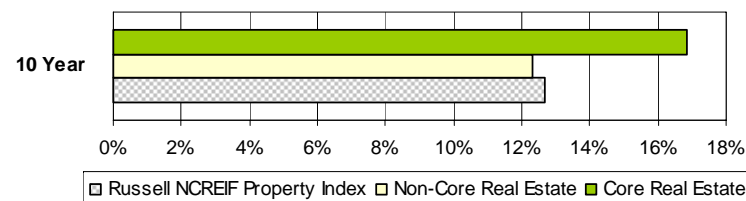
Domestic Fixed Income:

Net Domestic Fixed Income returns have exceeded the benchmark in all time periods, except in the current quarter. Ten-year net returns were 7.00% versus 6.55% for the benchmark.



Real Estate:

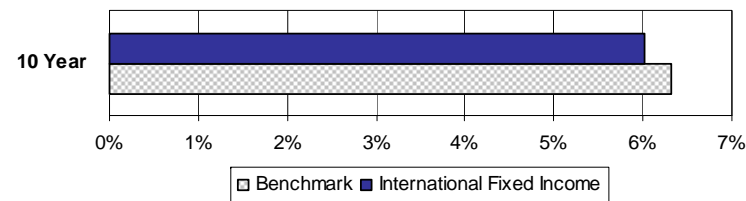
Net returns for the Core Real Estate Portfolio have exceeded the NCREIF Property benchmark during all time periods. Non-core portfolio returns have underperformed the benchmark all periods except for the three- and five-year periods. Ten-year net returns were 16.83% for the Core Real Estate portfolio and 12.31% for Non-Core Real Estate, versus 12.68% for the lagged benchmark.



Performance Summary – December 31, 2007

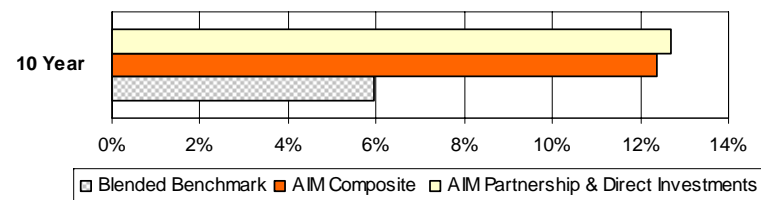
International Fixed Income:

Net International Fixed Income returns have underperformed the benchmark all time periods except for the one month and five-year periods. Ten-year net returns were 6.02% versus 6.31% for the benchmark.



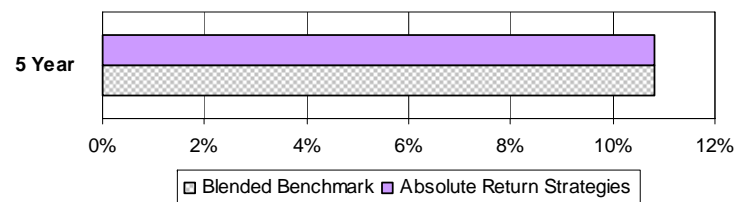
Alternative Investments:

Net returns for the Alternative Investments portfolio have exceeded the custom blended benchmark in all time periods, except for the one-month and current quarter time periods. Ten-year net returns for the AIM Composite, which includes distributed stock, were 12.38% exceeding the ten-year custom blended benchmark return of 5.93%. Ten-year net returns for the AIM Partnership & Direct Investments were 12.68%.



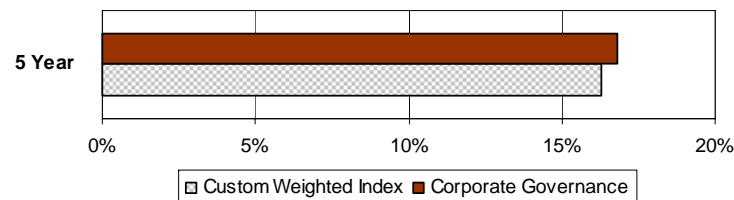
Absolute Return Strategies:

Net Absolute Return Strategies returns have exceeded the blended benchmark in the three-, and five-year time periods, while underperforming in the one-month, current quarter, fiscal year-to-date, calendar year-to-date, and one-year time periods. Five-year net returns were 10.82% versus 10.80% for the blended benchmark.



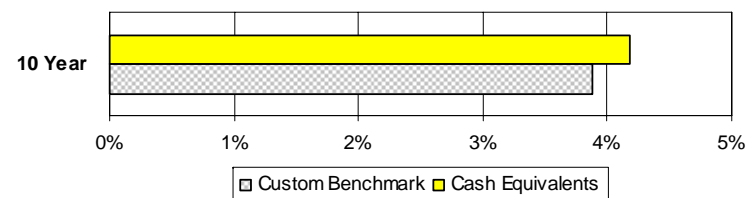
Corporate Governance:

Net returns for Corporate Governance Investments have underperformed the custom benchmark in all time periods except during the five-year time period. Five-year net returns were 16.82% versus 16.31% for the weighted index.



Cash Equivalents:

Net returns for the Cash Equivalents portfolio have met or exceeded the benchmark in all time periods. Ten-year net returns were 4.18% versus 3.88% for the custom benchmark.



CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CIO REPORT
GROSS RATES OF RETURN
Period Ending December 31, 2007

	MKT VAL (000'S)	One Month Dec 07	QTR Oct - Dec 07	FYTD 07-08	CYTD 2007	1 Year	3 Years	5 Years	10 Years
TOTAL PLAN									
SJ1CA1 - TOTAL FUND	253,014,286	-0.34	-0.41	2.65	10.23	10.23	12.27	14.63	8.65
CPERSTO2 - CALPERS POLICY INDEX		-0.38	0.18	3.10	9.95	9.95	11.17	13.41	7.85
CPERSIO2 - ACTUAL WEIGHTED TOTAL FUND INDEX		-0.35	0.23	3.24	10.48	10.48	11.29	13.69	7.98
GLOBAL EQUITY									
DOMESTIC									
SH8CA1 - TOT DOM EQ+IND HG+ENV EX VENT, HDG, CG	79,326,349	-0.40	-2.90	-1.54	6.35	6.35	9.14	13.73	6.40
Y082 - WILSHIRE 2500 EX TOBACCO (BLENDED)		-0.48	-2.76	-1.12	6.65	6.65	9.20	13.72	6.09
INTERNATIONAL - EXTERNAL									
SHBCA1 - INTL TOT EXT EQ+MDP+IND HG, EX OVLY EX V	23,001,962	-1.10	-0.86	4.14	19.27	19.27	21.19	24.63	10.39
SHBKA1 - INTL TOT EXT EQ+MDP+IND HG+OVLY EX VT	23,060,602	-0.86	-1.18	1.96	16.65	16.65	20.48	23.17	9.86
CPERIN2D - CALPERS FTSE AW EX US/SSGA BLEND (DAILY)		-1.46	-0.21	3.86	17.22	17.22	20.06	24.16	10.17
INTERNATIONAL - INTERNAL									
SWEAB - INTERNAL INTL PASSIVE ALLOCATION	23,761,967	-2.02	-1.33	1.63	13.61	13.61			
QR32 - CALPERS FTSE DEV WORLD EX US&TOBACCO(DAI		-2.01	-1.27	1.61	13.45	13.45			
SWCG - EXTERNAL INTERNATIONAL EQUITY TRANSITION	129,753	-2.05	-2.46	-10.36	-12.22	-12.22			
HEDGE FUND INVESTMENTS									
SNLCA1 - TOTAL ARS PROGRAM COMPOSITE	7,026,799	0.66	1.97	1.87	9.89	9.89	11.02	11.19	
CPERHED2 - TOTAL ARS PROGRAM BLENDED INDEX (DAILY)		0.63	2.77	5.96	11.22	11.22	9.37	10.80	
CORPORATE GOVERNANCE									
SWMKA1 - CORPORATE GOVERNANCE	5,340,914	-2.90	-8.03	-12.32	-3.73	-3.73	8.66	17.35	
CPERSGC2 - CALPERS CORPORATE GOVERNANCE IC (DAILY)		-1.37	-3.48	-4.18	3.17	3.17	11.41	16.31	
MDP I DOM FIXED INCOME-INVESTMENTS									
SN1KA1 - MDP I DOM FIXED INCOME-INVESTMENTS	202,618	0.09	2.91	5.82	7.29	7.29	4.60	5.59	
X40D - CITIGROUP BIG (DAILY)		0.20	3.15	6.27	7.22	7.22	4.69	4.55	6.03
GLOBAL FIXED INCOME									
DOMESTIC									
SJDKA1 - TOTAL DOMESTIC FIXED INCOME	60,345,595	0.23	3.48	6.94	7.72	7.72	5.64	6.77	7.00
CALCCLP2 - CALPERS CUSTOM LEH LPF (DAILY)		0.11	3.52	6.92	7.16	7.16	4.82	5.24	6.55
INTERNATIONAL									
SJDCA1 - TOTAL INTL FIXED INCOME	7,481,398	-0.57	3.67	11.59	10.88	10.88	2.64	7.82	6.09
CALWGXU2 - CALPERS WORLD GOVT X US		-0.65	3.69	11.67	10.90	10.90	2.74	7.57	6.31
CASH EQUIVALENTS									
SJVKA1 - TOTAL CASH	1,577,624	0.43	1.29	2.64	5.35	5.35	4.65	3.32	4.18
Y8K2 - PERS CUSTOM STIF NET OF FEES		0.40	1.23	2.59	5.30	5.30	4.51	3.16	3.88
ALTERNATIVE INVESTMENTS									
SJAIM - TOTAL AIM COMPOSITE	20,408,866	-0.05	0.06	11.57	25.77	25.77	23.17	17.61	12.39
SJXKA1 - AIM: PARTNERSHIP & DIRECT INVESTMENTS	20,327,246	-0.04	0.15	11.77	25.99	25.99	23.36	17.61	12.68
CPERYCX2 - WILSHIRE 2500 PLUS 500 BPS/CYFU BLEND		1.53	4.67	8.41	16.30	16.30	17.89	12.82	5.93
SW2V - AIM DISTRIBUTION STOCK	81,620	-2.94	-16.39	-14.84	-4.16	-4.16	5.06	15.01	
REAL ESTATE									
SW3CA1 - CORE REAL ESTATE	10,277,793	3.31	3.31	11.62	18.16	18.16	33.22	25.00	18.95
SW7KA1 - TOTAL NON-CORE REAL ESTATE	10,482,622	-1.38	-2.81	-1.11	5.49	5.49	25.51	24.30	15.82
ZLWD - NCREIF PROPERTY 1 QTR LAG (DAILY)		0.00	0.00	4.59	13.26	13.26	16.66	13.99	12.68
INFLATION LINKED									
SX2CA1 - TOTAL INFLATION LINKED (PILOT)	1,907,262	1.52	4.13						
CPERSCP4 - CPI + 400 BPS		0.26	1.33						

⁽¹⁾ SJXKA1 actual inception 3/90, returns only available since conversion to State Street Bank
Private Real Estate valued at prior quarter-end; Public Real Estate valued at current month-end.
This report prepared by State Street Bank

Excludes MDP venture accounts in composites SW9C, SWDC.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CIO REPORT
NET RATES OF RETURN
Period Ending December 31, 2007

	MKT VAL (000'S)	One Month Dec 07	QTR Oct - Dec 07	FYTD 07-08	CYTD 2007	1 Year	3 Years	5 Years	10 Years
TOTAL PLAN									
SJ1CA1 - TOTAL FUND	253,014,286	-0.39	-0.46	2.52	9.98	9.98	11.90	14.34	8.46
CPERSTO2 - CALPERS POLICY INDEX		-0.38	0.18	3.10	9.95	9.95	11.17	13.41	7.85
CPERSIO2 - ACTUAL WEIGHTED TOTAL FUND INDEX		-0.35	0.23	3.24	10.48	10.48	11.29	13.69	7.98
GLOBAL EQUITY									
DOMESTIC									
SH8CA1 - TOT DOM EQ+IND HG+ENV EX VENT, HDG, CG	79,326,349	-0.40	-2.91	-1.55	6.32	6.32	9.11	13.70	6.38
Y082 - WILSHIRE 2500 EX TOBACCO (BLENDED)		-0.48	-2.76	-1.12	6.65	6.65	9.20	13.72	6.09
INTERNATIONAL - EXTERNAL									
SHBCA1 - INTL TOT EXT EQ+MDP+IND HG, EX OVLY EX V	23,001,962	-1.12	-0.94	4.00	19.02	19.02	21.05	24.51	10.33
SHBKA1 - INTL TOT EXT EQ+MDP+IND HG+OVLY EX VT	23,060,602	-0.88	-1.26	1.83	16.40	16.40	20.33	23.04	9.78
CPERIN2D - CALPERS FTSE AW EX US/SSGA BLEND (DAILY)		-1.46	-0.21	3.86	17.22	17.22	20.06	24.16	10.17
INTERNATIONAL - INTERNAL									
SWEAB - INTERNAL INTL PASSIVE ALLOCATION	23,761,967	-2.02	-1.33	1.63	13.61	13.61			
QR32 - CALPERS FTSE DEV WORLD EX US&TOBACCO(DAI		-2.01	-1.27	1.61	13.45	13.45			
SWCG - EXTERNAL INTERNATIONAL EQUITY TRANSITION	129,753	-2.05	-2.46	-10.36	-12.22	-12.22			
HEDGE FUND INVESTMENTS									
SNLCA1 - TOTAL ARS PROGRAM COMPOSITE	7,026,799	0.58	1.81	1.65	9.45	9.45	10.70	10.82	
CPERHED2 - TOTAL ARS PROGRAM BLENDED INDEX (DAILY)		0.63	2.77	5.96	11.22	11.22	9.37	10.80	
CORPORATE GOVERNANCE									
SWMKA1 - CORPORATE GOVERNANCE	5,340,914	-2.90	-8.03	-12.39	-3.99	-3.99	8.31	16.82	
CPERSGC2 - CALPERS CORPORATE GOVERNANCE IC (DAILY)		-1.37	-3.48	-4.18	3.17	3.17	11.41	16.31	
MDP I DOM FIXED INCOME-NVESTMENTS									
SN1KA1 - MDP I DOM FIXED INCOME-INVESTMENTS	202,618	0.06	2.87	5.74	7.18	7.18	4.46	5.40	
X40D - CITIGROUP BIG (DAILY)		0.20	3.15	6.27	7.22	7.22	4.69	4.55	6.03
GLOBAL FIXED INCOME									
DOMESTIC									
SJDKA1 - TOTAL DOMESTIC FIXED INCOME	60,345,595	0.23	3.48	6.94	7.72	7.72	5.63	6.75	7.00
CALCCLP2 - CALPERS CUSTOM LEH LPF (DAILY)		0.11	3.52	6.92	7.16	7.16	4.82	5.24	6.55
INTERNATIONAL									
SJDCA1 - TOTAL INTL FIXED INCOME	7,481,398	-0.58	3.66	11.57	10.82	10.82	2.57	7.75	6.02
CALWGXU2 - CALPERS WORLD GOVT X US		-0.65	3.69	11.67	10.90	10.90	2.74	7.57	6.31
CASH EQUIVALENTS									
SJVKA1 - TOTAL CASH	1,577,624	0.43	1.29	2.64	5.35	5.35	4.65	3.32	4.18
Y8K2 - PERS CUSTOM STIF NET OF FEES		0.40	1.23	2.59	5.30	5.30	4.51	3.16	3.88
ALTERNATIVE INVESTMENTS									
SJAIM - TOTAL AIM COMPOSITE	20,408,866	-0.05	0.05	11.56	25.76	25.76	23.16	17.59	12.38
SJXKA1 - AIM: PARTNERSHIP & DIRECT INVESTMENTS	20,327,246	-0.04	0.15	11.77	25.99	25.99	23.36	17.61	12.68
CPERYCX2 - WILSHIRE 2500 PLUS 500 BPS/CYFU BLEND		1.53	4.67	8.41	16.30	16.30	17.89	12.82	5.93
SW2V - AIM DISTRIBUTION STOCK	81,620	-2.94	-16.60	-15.35	-5.62	-5.62	3.66	13.71	
REAL ESTATE									
SW3CA1 - CORE REAL ESTATE	10,277,793	3.12	3.12	10.59	16.72	16.72	28.17	21.64	16.83
SW7KA1 - TOTAL NON-CORE REAL ESTATE	10,482,622	-2.12	-3.54	-2.64	2.04	2.04	18.58	18.85	12.31
ZLWD - NCREIF PROPERTY 1 QTR LAG (DAILY)		0.00	0.00	4.59	13.26	13.26	16.66	13.99	12.68
INFLATION LINKED									
SX2CA1 - TOTAL INFLATION LINKED (PILOT)	1,907,262	1.48	4.07						
CPERSCP4 - CPI + 400 BPS		0.26	1.33						

⁽¹⁾ SJXKA1 actual inception 3/90, returns only available since conversion to State Street Bank Excludes MDP venture accounts in composites SW9C, SWDC.
Private Real Estate valued at prior quarter-end; Public Real Estate valued at current month-end.

This report prepared by State Street Bank

Operations / Activity Reports

Closed Session Transactions

- There were five (5) closed session transactions reported to the Board in Open Session per the requirements of California Government Code Section 20191.5 and the current CalPERS Board of Administration Statement of Policy & Procedures for Closed Sessions.

Activity Reports

- Staff prepares activity reports for the AIM, Absolute Return Strategies and Opportunistic Real Estate Programs. Detailed reports and investment summaries for the AIM and Risk Managed Absolute Return Strategies are included in the supplemental reporting document. Opportunistic Real Estate Investments will be reported below as they occur.

AIM Activity Report

Activity	Month	2004	2005	2006	2007 YTD	Since Inception
Investment Proposals Entered	30	381	316	301	449	6,531
Declined/Referred/Failed to Materialize	33	223	429	268	390	5,251
Deals in Screening	42	397	319	301	449	3,545
Due Diligence Reviews	23	65	59	61	76	662

Risk Managed Absolute Return Strategies Program Activity Report

Activity	2004	2005	2006	2007	Since Inception
Information Received	59	59	69	90	716
Declined	12	7	1	0	243
Deals in Screening	45	58	68	90	461
Due Diligence Reviews	6	18	52	66	175
Approved by ARS Board	4	7	9	8	41
Funded Investments (\$ Millions)	\$149	\$783	\$1,809	\$2,499	\$5,819

Opportunistic Real Estate Investments Activity Report

Fund Name	Allocation Committed
JER US Debt	\$200,000,000.00
IL & FS Fund II	\$200,000,000.00
Canyon Johnson Urban Fund III	\$225,000,000.00

Quarterly Reports

According to policy requirements, the following is summary information extracted from the quarterly and annual report(s) prepared for Investment Committee consideration. Executive Summaries and Full Reports are available in the supplemental reporting document.

AIM Program Quarterly Report:

Portfolio Summary

- As of September 30, 2007, the AIM Program had a total exposure of \$42.6 billion. Total exposure is the current reported value of investments plus the remaining amount of unfunded commitments.
- Since inception, the AIM Program has made contributions of \$29.6 billion, received distributions of \$22.5 billion and has a remaining reported value of \$20.0 billion. Of the \$22.5 billion in distributions, \$12.5 billion represents realized gains, income and dividends. During 2004 and 2005, the Program had been self-funding. However, this was not the case in 2006 and in the first nine months of 2007 due to recent increases in the Program's commitments. During the first nine months of 2007, the Program's contributions exceeded its distributions by \$2.4 billion.

SUMMARY OF AIM PORTFOLIO SINCE INCEPTION (MARCH 1990) THROUGH SEPTEMBER 30, 2007 (US\$ IN MILLIONS)

	Capital Contributed ⁽³⁾	Distributions		Reported Value ⁽⁵⁾	Investment Multiple
		Return of Capital	Realized Gain ⁽⁴⁾		
Total Active Commitments⁽¹⁾	\$27,115.3	\$8,062.8	\$10,707.9	\$19,938.0	1.4x
Total Exited Commitments⁽²⁾	\$2,439.0	\$1,873.1	\$1,841.7	--	1.5x

⁽¹⁾ An active commitment refers to an investment that has not reached the end of its legal term.

⁽²⁾ An exited commitment is defined as a commitment that has ended in accordance with the terms of the partnership agreement.

⁽³⁾ Includes fees in excess of committed capital.

⁽⁴⁾ Realized gains include interest, dividends, gains and losses distributed by the general partners in addition to interest paid by CalPERS for participation in subsequent closings of certain investments.

⁽⁵⁾ Based on values reported by the general partners as of September 30, 2007

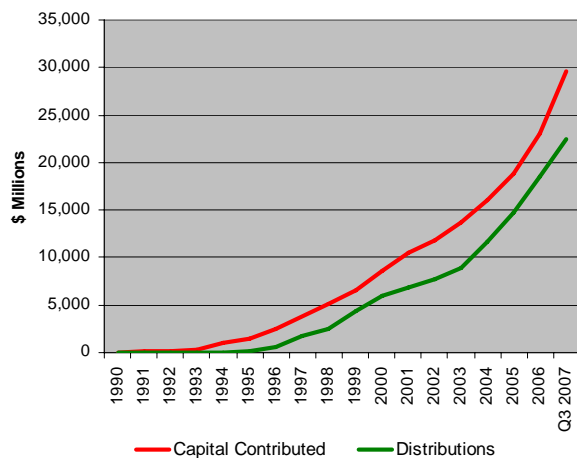
Quarterly Reports

AIM Program Quarterly Report (cont.)

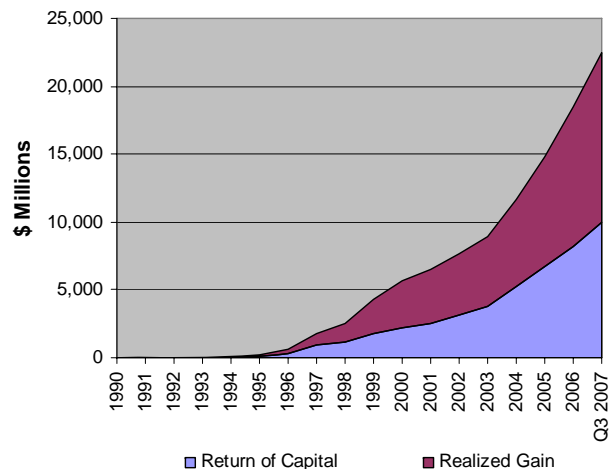
Performance

- Since inception to September 30, 2007, the AIM Program generated a net IRR of 14.5%. At September 30, 2007, the public market ten-year rolling average return for the CalPERS' Custom Wilshire 2500 Index plus 300 basis points was 10.4%.
- As of September 30, 2007, the weighted average age of all of the current investments in the AIM portfolio was 3.5 years. Consequently, a large portion of the portfolio is in the early stage of its investment life, when payment of fees has not been offset by young investments that are held at cost. This is known as the J-Curve effect.
- To address the young age of the partnership portfolio, CalPERS adopted a short-term benchmark, the Venture Economics Custom Young Fund Universe. The benchmark measures performance of the AIM partnerships in the first five years of life against a similarly aged universe of Venture Economics data. As of June 30, 2007, the AIM young fund net internal rate of return ("IRR") was 27.5% which exceeded the estimate of the June 30, 2007 Custom Young Fund Universe median return of 7.2% by 2,030 basis points. The AIM Program is displaying solid returns for a young portfolio.

**AIM PROGRAM CUMULATIVE
CASH FLOW SINCE INCEPTION**



**AIM PROGRAM CASH DISTRIBUTIONS
SINCE INCEPTION**



Quarterly Reports

AIM Program Quarterly Report (cont.)

Portfolio Activity

- 14 new commitments were authorized during the third quarter of 2007 for a total of \$4.0 billion.
- During the third quarter of 2007 the AIM Program received 95 proposals for new investment opportunities.
- During the first nine months of 2007, the AIM Program contributed \$6.5 billion to and received distributions of \$4.0 billion from the underlying portfolio. Of the \$4.0 billion in distributions, \$2.3 billion represents income and realized gains.

Quarterly Reports

Proxy Voting Quarterly Report Results:

On a quarterly basis, staff provides a report on CalPERS' proxy voting results to the Investment Committee. This supplemental item provides detailed results on CalPERS' proxy votes for the period October 1, 2007 to December 31, 2007. Staff is delegated the authority and responsibility to execute all proxies and voting instructions in a manner that is consistent with the Board's Global Proxy Voting Principles.

The following table provides a summary of CalPERS' internal proxy voting results for the period. Staff continues to update this table to provide the Committee with a 5-quarter rolling analysis of CalPERS' proxy voting results.

Period	Approximate Number of Meetings Voted	Approximate Number of Individual Items Voted	Number of Shareowner Proposals Voted	Percent of Shareowner Proposals Supported
10/01/07 to 12/31/07	1,164	6,981	38	81%
07/01/07 to 09/30/07	1,107	7,341	48	90%
04/01/07 to 06/30/07	5,031	42,956	549	79%
01/01/07 to 03/31/07	414	2,072	29	89%
10/01/06 to 12/31/06	638	3,265	26	84%

****Source: Glass Lewis (Viewpoint)**

In addition to the summary above, we have prepared detailed reports of CalPERS' proxy votes cast during the period October 1, 2007 to December 31, 2007 as attachments for this item. Although the attachments are not included in the agenda materials due to their size, they may be requested through the Investment Committee Secretary.

Quarterly Reports

Proxy Voting Quarterly Report Results (cont.):

A. Domestic Proxy Voting

A sampling of domestic proxy votes cast **against** management from October 1, 2007 to December 31, 2007 includes:

1) Egregious executive compensation plans:

Company	Cost Analysis	Additional Factors ⁽¹⁾
Alkermes Inc. 10/9/07	CalPERS believes the plan is too costly when compared to its peers.	
Arena Resources Inc. 10/25/07	CalPERS believes the plan is too costly when compared to its peers.	
Cuisine Solutions Inc. 10/25/07	The cost of the plan was within acceptable limits.	The plan contains an evergreen provision and allows for the repricing of stock options.
Granite City Food and Brewery 10/30/07	The cost of the plan was within acceptable limits.	The plan allows for repricing and reload stock options.
New Horizons Worldwide Inc. 11/6/07	CalPERS believes the plan is too costly when compared to its peers.	

1) At the June 16, 2003 meeting, the CalPERS Board approved additional policy issues to be applied to voting in relation to compensation plans.

Quarterly Reports

Proxy Voting Quarterly Report Results (cont.):

2) Shareowner proposals:

CalPERS voted **in favor** of the following shareowner proposals:

Company	Meeting	Proposal	Reason
News Corp.	10/19/07	Annual Director Elections	CalPERS believes every director should be elected annually.
Cintas Corp.	10/23/07	Majority Vote for Director Elections	CalPERS believes a majority of the proxies cast should be required to elect a director.
Oracle Corp.	11/07/07	Proposal requesting an Open Source Report	CalPERS believes this proposal poses no long-term harm to the company.
Dell Inc.	12/4/07	Executive Stock Ownership Guidelines	CalPERS believes direct equity ownership should be encouraged.

CalPERS voted **against** the following shareowner proposals:

Company	Meeting	Proposal	Reason
Proctor & Gamble Company	10/9/07	Disallowing Future Stock Option Awards	CalPERS believes the proposal is too restrictive and could pose long-term harm to the company.
Daimlerchrysler AG	10/4/07	Change of Company Name	CalPERS believes the board and management are best suited to make this determination.
Dell Inc.	12/4/07	Declaration of Dividend	CalPERS believes the board and management are best suited to determine the company's financial policies. Therefore we believe this proposal could pose long-term harm to the company

Quarterly Reports

Proxy Voting Quarterly Report Results (cont.):

3) Proxy Contests:

Company	Dissident	Dissident's Complaints	CalPERS Vote	Reason for the vote
Nautilus Inc. 12/18/07	Sherborne Investors	Declining financials, poor stock performance, lack of transparency in reporting and guidance, and lack of independence on the board.	Voted with Dissidents	CalPERS supported the Dissident Slate as a result of stock price under-performance at the company.

4) Website votes:

The following is a sample of Website votes cast during the quarter:

Company/Date	Issue	Vote	Reason
Sara Lee Corp. 10/25/07	Director Election	Against	CalPERS is withholding its vote from B. Barnes due to the company's inclusion to the 2007 Focus List, severe stock price underperformance, and governance issues at the company.
Archer Daniels Midland Co. 11/8/07	Advisory Vote on Executive Compensation	For	CalPERS believes allowing an advisory vote on executive compensation will benefit shareowners and the company.
Deere & Company 11/14/07	Increase in Authorized Common Stock	For	CalPERS believes the requested increase is reasonable and will not pose long-term harm to the company.
Cisco Systems Inc. 11/15/07	Performance Based Pay	For	CalPERS is a firm supporter of performance based compensation.

Quarterly Reports

Proxy Voting Quarterly Report Results (cont.):

5) International Proxy Voting:

A sampling of International proxy votes cast **against** management during the quarter:

Company	Country	Date	Issue	Reason
Bookham Technology PLC	United Kingdom	10/23/07	Stock Option Grants	CalPERS believes options should vest over a period of three years.
Test Rite International	Taiwan	11/2/07	Amend Articles of Association	Proxy materials should be written in a manner designed to provide shareowners with the information necessary to make a voting decision.
Barratt Development PLC	United Kingdom	11/27/07	Appoint of Auditor	CalPERS believes fees paid to the auditor for non-audit related services are excessive.
Ten Network	Australia	12/12/07	Director Election	Withhold vote from N. Falloon. The compensation and nominating committees should be composed of a majority of independent directors.

Quarterly Reports

Proxy Voting Quarterly Report Results (cont.):

6) Mergers & Acquisitions (Performance Reporting):

The following measures the performance of staff's vote recommendations on Mergers and Acquisitions within CalPERS' Top 300 Holdings:

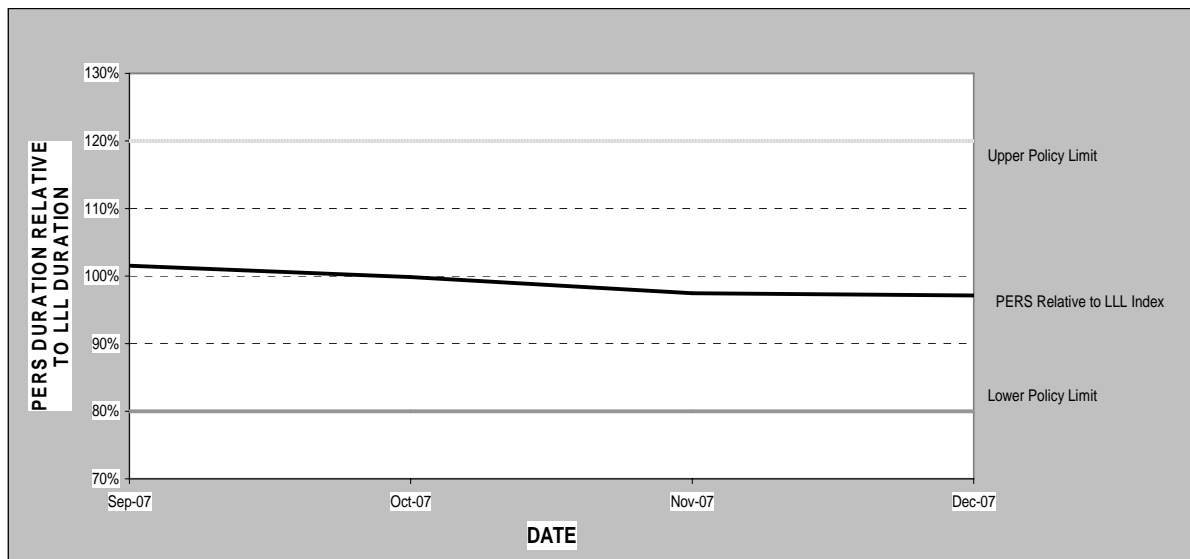
Target	Acquirer	Vote	Vote Date	Active Return 1, 2, 3, 4
Unocal	Chevron	For	8/10/05	0.15%
Providian	Washington Mutual	For	8/31/05	-2.75%
PacifiCare	UnitedHealth	For	11/17/05	-0.73%
Maytag	Whirlpool	For	12/22/05	0.00%
WellChoice	WellPoint	For	12/28/05	0.26%
Siebel	Oracle	For	1/31/06	1.40%
Jefferson-Pilot	Lincoln National	For	3/20/06	-0.69%
Albertsons	SuperValu	For	5/30/06	2.45%
BellSouth	AT&T	For	7/21/06	1.55%
Kerr-McGee	Anadarko	For	8/10/06	-1.45%
Golden West	Wachovia	For	8/31/06	-1.40%
Lucent	Alcatel	For	9/7/06	-1.41%
Amsouth	Regions Financial	For	10/3/06	-1.31%
Eckerd Stores	Rite Aid	Against	1/18/07	-0.14%
ICOS Corp.	Eli Lilly	For	1/25/07	0.11%
McData	Brocade Communications	Against	1/25/07	-3.54%
Phelps Dodge	Freeport-McMoran	For	3/14/07	4.29%
Caremark	CVS. Corp.	Against	3/15/07	0.63%
Mellon Financial	Bank of New York	For	3/24/07	2.67%
GlobalSantaFe Corp.	Transocean	For	11/9/07	N/A
PORTFOLIO (value-weighted basis)				-0.46%

- 1) Stock and portfolio excess returns are as of November 30, 2007 - the latest date for available control factors data.
- 2) Excess return is return after controlling for market, size, momentum and growth/value.
- 3) Excess returns are monthly excess returns.
- 4) N/A indicates that the regression could not be performed because there was only one observation at the time of the analysis.

Quarterly Reports

Internally Managed Domestic Fixed Income Report:

I. Interest Rate Risk



II. Sector Risk

SECTOR	PERMISSIBLE RANGE	LONG LIABILITY	3/31/2007 PERS	6/30/2007 PERS	9/30/2007 PERS	12/31/2007 PERS
Government	0-50	40	31	30	32	24
Mortgages	10-60	30	38	36	37	41
Sovereigns	0-15	3	2	3	2	2
Investment Grade						
Corporates	10-60	24	26	27	25	29
Opportunistic ¹	0-19	3	3	3	2	4

¹ High Yield

Quarterly Reports

Internally Managed Domestic Fixed Income Report (cont.)

III. Violations to Policy:

The following policy violations occurred this quarter:

On 11/1/07, S&P downgraded Residential Capital LLC to a "BB+" from a "BBB-". This triggered violation of the following issue: Securities must be at least BBB- by one Agency (or by Internal Rating). Security was transferred to a High Yield portfolio and brought the fund back in compliance.

On 12/4/07, Moody's downgraded ALLTEL Corporation to a "Caa1" from an "A2". This triggered violation of the following issue: Securities must be at least BBB- by one Agency (or by Internal Rating). Security was transferred to a High Yield portfolio and brought the fund back in compliance.

Quarterly Reports

Internally Managed Short-Term Fund Report:

I. Interest Rate Risk

The weighted-average days to maturity of the Short-Term Fund was 1 day.

II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
State Street Bank STIF	100%	100.0%
U.S. Treasury and Agencies	100	0.0
Repurchase Agreements	20	0.0
Corporate Securities	100	0.0
Asset-Backed Securities	25	0.0
Total Short-Term Fund		<u>100.0%</u>
<u>Credit Quality</u>		
Securities rated A1/P1 or higher	100%	100.0%
Total Split Rated and A2/P2	30	<u>0.0</u>
Total Short-Term Fund		<u>100.0%</u>
<u>Other Restriction</u>		
Total Floating Rate Exposure	50%	0.0%

III. Violations To Policy

None.

Quarterly Reports

Internally Managed Dollar Denominated Limited Duration Funds (Short Duration) Report:

I. Interest Rate Risk

The portfolio duration of the Short Duration Fund was 0.06.

II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
State Street Bank STIF	100%	1.16%
AAA Structured Securities	100	63.68
Non AAA Structured Securities	50	2.51
ABL Line Item	100	15.77
Money Market Securities (\geq A1/P1)	100	0.06
Money Market Securities ($<$ A1/P1)	25	13.75
Total Corporate Securities	50	3.07
Short Duration Fund		100.0%
<u>Credit Quality</u>		
Securities rated AAA (LT) or A1/P1 (ST) or higher	100%	64.90%
Total Split Rated and A2/P2 (ST) or non-AAA (LT)	50	35.10
Short Duration Fund		100.0%
<u>Other Restriction</u>		
Total Fixed Rate Exposure ($>$ 35 day maturity)	35%	0.21%

III. Violations To Policy

The following policy violation occurred this quarter:

On 10/26/07, S&P downgraded LBAHC_06-11_N1 to a "CCC" from an "A-".

This triggered violation of the following issue: "Structured Securities must be \geq Baa2/BBB.

Current face of the security was \$6,462,155, which was 0.4% of the SDF portfolio (0.03% of the total Limited Duration portfolios). Security was sold at the end of the month and brought the fund back in compliance.

Quarterly Reports

Internally Managed Dollar Denominated Limited Duration Funds (High Quality Libor) Report:

I. Interest Rate Risk

The portfolio duration of the High Quality LIBOR Fund was 0.09.

II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
STIF Funds	100%	4.03%
AAA Floating Rate Structured Securities	100	94.13
AAA Fixed Rate Structured Securities	20	0.00
Money Market Securities (\geq A1/P1)	100	1.14
Money Market Securities ($<$ A1/P1)	25	0.70
High Quality Libor Fund		<u>100.0%</u>
<u>Credit Quality</u>		
Securities rated AAA (LT) or A1/P1 (ST) or higher	100%	99.30%
Total Split Rated and A2/P2 money market securities ($>$ 1 day maturity)	25	0.70
High Quality Libor Fund		<u>100.0%</u>
<u>Other Restriction</u>		
Total Fixed Rate Exposure ($>$ 35 day maturity)	20%	0.00%

III. Violations To Policy

There were no policy violations this quarter.

Quarterly Reports

Member Home Loan Program Report:

- **Program to Date**, CalPERS has purchased a total of 129,886 loans totaling \$21.04 billion dollars (figure does not include Personal Loans).
- **Purchases for the Quarter Ending 12/31/07**, were \$99.09 million dollars (figure includes Personal Loans).
- **Portfolio Holdings as of 12/31/07** were \$835.70 million dollars.
- **Mortgage Loan Delinquencies (MBA vs. CalPERS) as of 09/30/07:**
 - Fannie Mae MBS Delinquencies increased by 8 bps.
 - MBA delinquency statistics increased by 97 bps
- **Whole Mortgage Loan Delinquencies as of 12/31/07** increased by 191 bps.
- **Percentage of Personal Whole Loan Delinquency as of 12/31/07** increased by 1.15%.
- **Number of Lending Institutions participating in the MHL** is 23 with a total of 499 branch locations statewide.
- **CMI CalPERS Pipeline & Purchase Information for YTD ending 12/31/07:**

Committed not Purchased:	673	\$ 183,286,185	
Total Commitments Issued (YTD):	2,893	\$ 778,354,025	Avg/month: \$ 64,862,835.40
Total Purchased (YTD):	1,800	\$ 466,423,593	Avg/month: \$ 38,868,632.80
Purchase/Refinance Percentage (%):	30%/70%		

Points of Interest – 4th Quarter, 2007

2008 CalPERS Marketing Strategy Planning

The 2008 CalPERS Marketing plan was successfully reviewed and approved by CalPERS staff in September 2007. Mark approved new marketing initiatives which included executing integrated 2008 quarterly marketing campaigns in the top CalPERS markets. These campaigns would include integrated Mass Media (print, radio, public relations), Direct Marketing (email and direct mail campaigns) and Outreach Marketing (workshops and event management) tactics.

In preparation for 2008, the following CalPERS strategic studies were also completed:

- **CalPERS Top 10 Markets Identified.** Analysis was completed to identify the top 10 CalPERS markets based on CalPERS Member counts, median home prices, homeownership percentages and other factors.
- **CalPERS Demographic Profile Study.** Based on Mark Yelavich information, demographic profiles of the CalPERS Members was created (age, race, income etc;). (this demographic study information will be used to drive 2008 creative/messaging development)
- **CalPERS 2008 Editorial Strategy: "Real Stories about Real People."** CalPERS Member Home Loan Program Member success stories will featured in various CalPERS publications in 2008 (*PERSpective /Employer News/INCalpers*). Real life stories about Members who can endorse the program will increase the leads generated from these publications.

Quarterly Reports

Member Home Loan Program Report (cont.):

Next Steps:

CalPERS 2008 Marketing Kick-off Meeting will take place in Sacramento, CA in Jan. 2008. Marketing, Sales Account Executives and Agency Liaisons will present **one integrated** 2008 strategic CalPERS marketing plan.

Marketing Highlight: New CalPERS Electronic Communication Tactics (to Drive Leads)

In order to increase reach, awareness and leads, all of the following are now available electronically (PDF and HTML):

- **Customer Relations Member Home Loan Program brochure** for email distribution
- **Agency Liaison flyers** for email blasts
- **Agency Liaison paycheck stuffers** for email blasts
- **Agency Liaison HTML creative** for agency website pages (example, Santa Clara website: <<http://www.sccgov.org/portal/site/scc>>)
- **Account Executives flyers** for email distribution

Marketing/Lead Tracking Report (Top 5 categories)

Agency Liaison Fair/Conference	1,584 leads	= 48% (of total leads)
CalPERS Website	680 leads	= 21%
Referred by Family/Co-worker	248 leads	= 8%
Pers Web Site	139 leads	= 4%
Paycheck Stuffer	131 leads	= 4%

Total leads generated in 4th Quarter, 2007 = 3,304

CalPERS Agency Outreach (Events):

The Agency Liaisons attended the Annual CalPERS Educational Forum in October 2007. This is a very important conference for the Agency Liaisons as it gets them in contact with Human Resource Representatives and Benefits' Coordinators. These contacts are used throughout the year to schedule attendance to Benefit Fairs and also to schedule Home Loan Workshops. The Agency Liaisons collected 131 contacts. Post-conference letters were sent to each contact to re-enforce the benefits of the Home Loan Program, as well as the free services both Agency Liaisons can provide.

In 2008, the Agency Liaisons will continue focus on offering the new web-based Home Loan Workshop for CalPERS Members. The goal of this new option will offer the flexibility for CalPERS Members to attend a workshop from their desk at work or after work hours so they can attend with other family members. It will also be a great tool for the Agency Liaisons to work more closely with rural and/or smaller CalPERS Agencies that can be difficult for the Agency Liaisons to travel to.

Lastly, 2007 was a landmark year for the Agency Liaisons. Both Agency Liaisons close-to doubled their efforts over 2006. In 2007, the Agency Liaisons collected 6,201 total leads (2006=3,268) and attended approximately 93 events (2006=53). Great job, Melissa Mark and Lori Espinosa!

Member Home Loan Program Staff

Western Region Business Development Manager:	Angela Mia
Consumer and Pooling Division Manager:	Bonnie McKee-Flores
Customer Relations Supervisor:	Vincent Martinez
Director of Marketing:	Emilio Coronado

Quarterly Reports

Public Record Act Requests:

- In the quarter ending December 31, 2007, CalPERS received 2 (two) public record requests related to Investments.
- Detailed reporting is contained in the supplemental reporting document.

Real Estate:

- **Total Portfolio Performance** – The one-year (as of September 30, 2007) total return for the Total Real Estate Portfolio was 14.9 percent before fees and 12.4 percent after fees. The nominal after fee total return (since inception) for the Total Real Estate Portfolio was 11.3 percent as of September 30, 2007, with the income component generating a 6.9 percent return and the appreciation component generating a 4.4 percent return.
- **Core Portfolio Performance** – The one-year (as of September 30, 2007) total return for the Core Portfolio was 18.2 percent before fees and 16.8 percent after fees. The nominal after fee total return (since inception) for the Core Portfolio was 11.2 percent as of September 30, 2007, with the income component generating a 7.6 percent return and the appreciation component generating a 3.6 percent return. The total before fee returns for the Office sector, which reflect the September 30, 2007 valuations, were 21.7 percent for the current quarter and 25.1 percent for the one-year as compared to the NCREIF Office sector which reported a 4.8 percent current quarter return and a 22.8 percent one-year return.
- **Non-Core Portfolio Performance** – The one-year (as of September 30, 2007) total return for the Non-Core Portfolio was 13.0 percent before fees and 9.0 percent after fees. The nominal after fee total return (since inception) for the Non-Core Portfolio was 11.2 percent as of September 30, 2007, with the income component generating a 4.5 percent return and the appreciation component generating a 6.7 percent return. The Housing Program and the Non-Core REIT Composite are the two largest programs in the Non-Core Portfolio. The Housing Program generated a -7.9 percent before fee return for the current quarter and a -12.8 percent before fee return for the one-year period. Additionally, the REIT Composite generated a 2.1 percent before fee return for the current quarter and a 17.6 percent before fee return for the one-year period.
- **Comparison to Industry Benchmark** – The Total Real Estate Portfolio outperformed the NCREIF Detailed Property Index (Index) for all periods except the current quarter and one year. In addition, the Core Portfolio outperformed the Index for all periods except the current quarter. The Non-Core Portfolio outperformed the Index for all periods except the current quarter and one year. It should be noted that although the NCREIF Index is more directly comparable to the Core Portfolio, the Index is used as a benchmark for the Non-Core Portfolio as well.
- **Comparison to Real Rate of Return Benchmark** – Policy dictates that CalPERS' after fee real rate of return should reach 5 percent for the Core Portfolio and exceed 5 percent for the Non-Core Portfolio. The Core, Non-Core, and Total Portfolios have all exceeded the 5 percent real rate of return benchmark for all periods.

Investment Transactions

Investment Transactions are reported to the Investment Committee for review under the requirements of California Government Code Section 20191. Information is provided in summary format in this consolidated document. Full reporting is available in the supplemental reporting document.

Portfolio Summary and Transactions Report:

- Purchases – Internal Management (Page 31)
- Sales – Internal Management (Page 32)
- Currency Hedge Portfolio Summary (Page 33)
- Currency Hedge Portfolio Transactions (Page 33)

Investment Transaction Information: (full reporting is available in the supplemental reporting document)

- Fixed Income Transactions
 - Internal Domestic
 - External International and High Yield
 - Special Mortgage Investment Program Transactions
 - High Yield Performance
- Equity Summary & Transactions
 - Internal Domestic
 - Corporate Actions
 - External Domestic
 - External International
- Internal Programs
 - Real Estate Transactions Summary
 - Dispositions Summaries
 - CIM Urban Real Estate Fund, LP – L'Enfant Plaza, CalPERS equity share \$19,111,673.00
 - Buchanan Urban Investors II. LLC – Amber Oaks, CalPERS equity share \$35,553,237.00
 - National Office Partners – Pacific Plaza, CalPERS equity share \$114,256,671.00
 - Acquisitions Summaries
 - CalEast Global Logistics– Vanderwell (Acheson), CalPERS equity share \$25,850,109.00
 - BlackRock Realty – Tower Court Apartments, CalPERS equity share \$6,389,542.00
 - AIM Program Transactions
 - Summary Listing of Capital Calls and Aggregate Distributions
 - AIM Program Investments Completed under Delegation of Authority
 - Investment Summaries
 - Apollo/Artus Investors 2007-I LP, \$100 million commitment
 - Carlyle/CalPERS CLO Vehicle, \$150 million commitment
 - Green Credit Investors LP, \$100 million commitment
 - Oak Hill Capital Partners III LP, \$300 million commitment
 - Yucaipa Corporate Initiatives Fund II LP, \$100 million commitment

Investment Transactions

Investment Transaction Information (continued): [\(full reporting is available in the supplemental reporting document\)](#)

- Internally Managed Derivative Transactions Summary
 - Investment Summaries
 - Futures purchases: \$459.9 million notional
 - Futures sales: \$875.3 million notional
- Risk Managed Absolute Return Strategies Program Transactions
 - Summary Listing of Investments and Redemptions
- Risk Managed Absolute Return Strategies Program Items Completed Under Delegation of Authority
 - Investment Summaries
 - No Items to Report

Portfolio Summary and Transactions

INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

November 2007

PURCHASES

INTERNAL MANAGEMENT

	<u>PAR</u>	<u>COST</u>	<u>ANNUALIZED YIELD</u>	<u>%OF LONG TERM PURCHASES</u>
<u>ALTERNATIVE INVESTMENTS:</u>				
Partnership Component	\$947.1	\$981.8	N/A	4.98%
<u>BONDS:</u>				
Utilities & Industrials	\$918.0	\$914.4	6.24%	4.64%
Sovereign	<u>162.5</u>	<u>171.7</u>	5.05%	<u>1.95%</u>
Total	1089.0	\$1,298.6		6.59%
<u>GOVERNMENTS:</u>				
U.S. Agencies & Treasuries	\$2,710.0	\$2,988.8	4.56%	14.08%
<u>MORTGAGE SECURITIES:</u>				
Pass-Through	\$1,320.5	\$1,317.2	5.98%	6.68%
CMO	<u>1,122.0</u>	<u>1,114.0</u>	5.87%	<u>5.65%</u>
Total	\$2,442.5	\$2,431.2	5.93%	12.33%
<u>EQUITIES:</u>				
Common Stock		\$3,131.7	N/A	15.89%
EXTERNAL MANAGEMENT				
<u>EQUITIES AND FIXED INCOME:</u>				
International Common Stock		\$3,433.9	N/A	17.42%
Domestic Common Stock		2,698.3	N/A	13.69%
International Fixed Income		<u>2,961.1</u>	N/A	<u>15.02%</u>
Total		\$9,093.3		46.13%
TOTAL PURCHASES:		\$19,712.9		100%

Portfolio Summary and Transactions

INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

November 2007

SALES

INTERNAL MANAGEMENT

	<u>PAR</u>	<u>COST</u>	<u>PROCEEDS</u>	<u>GAIN/ LOSS</u>
<u>ALTERNATIVE INVESTMENTS:</u>				
Partnership Component	\$0.0	\$16.1	\$16.1	0.0
<u>BONDS:</u>				
Utilities & Industrials	\$5.0	\$1.0	\$3.0	\$2.0
Sovereign	<u>183.4</u>	<u>187.7</u>	<u>190.7</u>	<u>3.0</u>
Total	\$188.4	\$188.7	\$193.7	\$5.0
<u>GOVERNMENTS:</u>				
U.S. Agencies & Treasuries	\$5,731.6	\$5,753.3	\$5,955.3	\$202.0
<u>MORTGAGE SECURITIES:</u>				
Pass-Through	\$802.0	\$801.7	\$804.0	\$2.3
CMO	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total	\$802.0	\$801.7	\$804.0	\$2.3
<u>EQUITIES:</u>				
Common Stock		\$3,086.9	\$3,756.4	\$669.5
EXTERNAL MANAGEMENT				
<u>EQUITIES AND FIXED INCOME:</u>				
International Common Stock		\$2,907.3	\$3,430.9	\$523.6
Domestic Common Stock		2,500.6	2,536.9	36.3
International Fixed Income		<u>2,851.5</u>	<u>2,879.8</u>	<u>28.3</u>
Total		\$8,259.4	\$8,847.6	\$588.2
TOTAL SALES:	\$18,106.1	\$19,573.1	\$1,467.0	

Portfolio Summary and Transactions

CURRENCY HEDGE PORTFOLIO SUMMARY

(\$ Millions)

November 2007

<u>PENDING FX CONTRACTS</u>	<u>COST</u>	<u>MARKET VALUE</u>
Total FX Purchased	\$6,099.2	\$6,201.2
Total FX Sold	\$9,999.8	\$10,143.5

CURRENCY OPTIONS

Currency Puts	(\$20,637,824.1)	(\$20,637,824.1)
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"For FX purchased, a market value higher than book value means the contracts have an unrealized gain as of the valuation date. For FX sold, a market value lower than book value means the contracts have an unrealized gain as of the valuation date."

CURRENCY HEDGE TRANSACTION SUMMARY

(\$ Millions)

November 2007

<u>PURCHASES</u>	<u>COST</u>
Pending FX Contracts	\$2,177.7

<u>SALES</u>	<u>PROCEEDS</u>
Pending FX Contracts	\$1,714.5

Affiliate Funds Reports

Staff has compiled the following Affiliate Funds Allocation Reports for the period ending December 31, 2007.

Annuitants' Health Care Fund:

<u>Asset Class</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	\$14,450,460.98	16.72%	\$14,450,460.98	16.66%
DOMESTIC EQUITY	\$32,575,423.10	37.69%	\$31,914,559.69	36.79%
FIXED INCOME	\$16,799,524.90	19.44%	\$17,238,302.03	19.87%
INTERNATIONAL EQUITY	\$22,609,575.07	26.16%	\$23,146,093.33	26.68%
TOTAL	<u>\$86,434,984.05</u>		<u>\$86,749,416.03</u>	

CalPERS Health Care Bond Fund:

<u>Asset Class</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
FIXED INCOME	\$ 356,739,512.70	100.00%	\$373,098,327.46	100.00%
TOTAL	<u>\$ 356,739,512.70</u>		<u>\$373,098,327.46</u>	

Judges' Retirement Fund:

<u>Asset</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	\$3,330,627.78	100.00%	\$3,330,627.78	100.00%
TOTAL	<u>\$3,330,627.78</u>		<u>\$3,330,627.78</u>	

Affiliate Funds Reports

Judges II Retirement Fund:

<u>Asset</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	\$9,827.70	0.00%	\$9,827.70	0.00%
DOMESTIC EQUITY	\$95,318,919.71	42.11%	\$112,278,608.68	43.36%
FIXED INCOME	\$89,684,631.93	39.62%	\$95,647,198.29	36.94%
INTERNATIONAL EQUITY	\$41,370,050.74	18.27%	\$50,986,288.43	19.69%
TIPS	\$0.00	0.00%	\$0.00	0.00%
TOTAL	<u>\$226,383,430.08</u>		<u>\$258,921,923.10</u>	

Legislators' Retirement Fund:

<u>Asset Class</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	\$6,561.86	0.01%	\$6,561.86	0.00%
DOMESTIC EQUITY	\$34,142,296.25	26.77%	\$42,125,474.39	29.25%
FIXED INCOME	\$72,799,133.94	57.08%	\$77,727,398.17	53.98%
INTERNATIONAL EQUITY	\$11,301,383.82	8.86%	\$13,932,359.33	9.67%
TIPS	\$9,293,413.04	7.29%	\$10,212,320.50	7.09%
TOTAL	<u>\$127,542,788.91</u>		<u>\$144,004,114.25</u>	

Long Term Care Fund:

<u>Asset</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	\$87,398.40	0.00%	\$87,398.40	0.00%
DOMESTIC EQUITY	\$659,355,780.59	32.19%	\$789,224,579.91	33.60%
FIXED INCOME	\$916,114,477.62	44.72%	\$991,860,213.59	42.23%
INTERNATIONAL EQUITY	\$363,677,921.19	17.75%	\$446,032,709.55	18.99%
TIPS	\$109,206,701.52	5.33%	\$121,376,147.65	5.17%
TOTAL	<u>\$2,048,442,279.32</u>		<u>\$2,348,581,049.10</u>	

Affiliate Funds Reports

Public Employees' Medical & Hospital Care Act Contingency Reserve Fund:

<u>Asset</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	\$5,903,112.75	100.00%	\$5,903,112.75	100.00%
TOTAL	<u>\$5,903,112.75</u>		<u>\$5,903,112.75</u>	

Supplemental Contribution Fund:

<u>Asset</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	-208,789.29	-1.10%	-\$208,789.29	-0.92%
DOMESTIC EQUITY	9,429,673.20	49.87%	\$11,909,267.37	52.49%
FIXED INCOME	5,969,755.99	31.57%	\$6,379,544.80	28.12%
INTERNATIONAL EQUITY	3,717,755.06	19.66%	\$4,609,394.97	20.32%
TIPS	0.00	0.00%	\$0.00	0.00%
TOTAL	<u>\$18,908,394.96</u>		<u>\$22,689,417.85</u>	

Volunteer Firefighters Length of Service Award Fund:

<u>Asset</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	\$6,036.16	0.19%	\$6,036.16	0.17%
DOMESTIC EQUITY	\$2,650,632.60	84.15%	\$2,839,870.36	80.09%
INTERNATIONAL EQUITY	\$493,066.34	15.65%	\$700,029.57	19.74%
TOTAL	<u>\$3,149,735.10</u>		<u>\$3,545,936.09</u>	